

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: INTERSTATE POWER AND LIGHT COMPANY	DOCKET NO. RN-04-1
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ORDER APPROVING CUSTOMER NOTICE WITH MODIFICATION

(Issued March 3, 2004)

On February 2, 2004, Interstate Power and Light Company (IPL) filed with the Utilities Board (Board) a request for approval of a proposed rate notification pursuant to 199 IAC 7.4(1)"d"(1), which requires that all nonstandard notices be approved by the Board. Because IPL has four pricing zones, IPL states it will include a letter with the standard notice that advises customers which pricing zone they are located in.

IPL requests two deviations from the standard notice. First, IPL proposes to base its calculations in the rate notice form on the arithmetic mean system customer's electricity usage in each class to show the average bill impact. Subrule 7.4(1)"c"(3) provides that averages used in the standard form must be median averages. Second, IPL notes that instead of calculating the mean average customer usage in each class in each of the four pricing zones, as it did for its last rate case, IPL proposes to use the mean average customer usage in each class for the entire system. IPL argues that this is more consistent with use of a systemwide class cost-of-service study and shows customers the average bill increase in a more meaningful

way. IPL believes that annual median averages, as required in the standard notice rule, would understate customer impacts because the majority of bills in all pricing zones are sent during non-summer months when rates are lower.

The Consumer Advocate Division of the Department of Justice (Consumer Advocate) filed a response on February 10, 2004. Consumer Advocate opposes IPL's proposal to use arithmetic mean as well as its proposal to calculate those arithmetic means on a systemwide basis, instead of by pricing zone. In the absence of evidence to the contrary, Consumer Advocate believes the use of medians is a more accurate way of depicting the impact of a proposed increase on the average customer, particularly if the usage of the various customers within a given class varies significantly. Consumer Advocate states significant differences in usage are present where many different customers with different annual usage are combined to form a customer class. Consumer Advocate has the same concerns over IPL's proposal to calculate class averages on a systemwide basis instead of on a zone-by-zone basis.

IPL filed a reply to Consumer Advocate's objections on February 13, 2004. IPL notes that in the past the Board has found the use of mean averages to be reasonable. In fact, mean averages were used in IPL's last electric rate case. IPL states that annual median averages, as required in the standard notice, understate customer impacts because the majority of bills in all pricing zones are sent during non-summer months when rates are lower. IPL also indicates calculating median averages is a time-consuming and costly task.

IPL argues that using a systemwide rather than a zone-by-zone approach to calculating proposed increases will reflect the fact that customers are part of the IPL system and not served differently because they are in a particular pricing zone. IPL also believes the notice will be less confusing to customers if done using a systemwide approach because IPL contemplates proposing a “same dollar” increase for customers in a class, regardless of pricing zone, for at least some of the customer classes.

The Community Coalition for Rate Fairness (CCRF) filed a response to the proposed rate notification on February 20, 2004. The CCRF supports IPL’s use of mean averages rather than median averages, but objects to IPL’s proposal to use systemwide class usage averages rather than rate-zone-specific class usage averages. The CCRF argues for consistency in rate notifications and believes the use of systemwide usage averages would distort information being conveyed to customers. In IPL’s last rate case, rate-zone-specific class usage averages were used.

The Board will first address the use of mean versus median averages. The Board is concerned that median averages will understate customer impacts. In addition, at least in this case, computing median averages is alleged to be time-consuming and costly, with no benefit to customers in terms of the quality of the information they will receive. The use of mean averages appears to better communicate to most customers the impact of the impending rate case. The Board

is not persuaded to depart from the method used to calculate averages used in IPL's last rate case and will, therefore, approve use of mean averages.

Determining whether IPL should be allowed to use systemwide averages is a more difficult question. While the Board generally favors continuity in rate case notifications, the Board does not adhere to this principle blindly and is always receptive to changes in customer notices that communicate information to customers in a more meaningful or useful fashion. The Board is persuaded that in this case the use of systemwide calculations will result in better and less confusing information being presented to most customers. This is particularly true because IPL is apparently proposing "same dollar" increases for customers in a class, regardless of what pricing zone the customers are in, for at least some customer classes. The notice will provide the percentage increases for each class by pricing zone and these percentages will demonstrate that while "same dollar" increases may be used, the percentage increase will vary by pricing zone.

Any rate notice is likely to be imperfect for an individual customer because notices cannot be tailored for each customer's individual situation, but rather must use averages. However, the Board believes that with one minor modification, the notice proposed by IPL provides the best information to the largest number of customers and should be approved. IPL will be directed to insert in the last sentence of the first paragraph on page 2 of 4 of the notice, the abbreviation "(OCA)" after the words "Office of Consumer Advocate." IPL is also reminded that 199 IAC 7.4(1)"f"(2) requires the notice to be conspicuously marked with the words "Notice of Proposed

Rate Increase.” If the notice is a separate mailing, the rule requires that the outside of the mailing be similarly marked.

IT IS THEREFORE ORDERED:

The proposed rate case notice form filed by Interstate Power and Light Company on February 2, 2004, as modified in the body of this order, is approved.

UTILITIES BOARD

/s/ Diane Munns

/s/ Mark O. Lambert

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 3rd day of March, 2004.